

Message Text

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SUBJ: SOVIET DISCUSSIONS WITH HERMAN CORP. ON POSSIBLE PURCHASE
OF ADDITIONAL FOUNDRY EQUIPMENT.

REF: STATE 229991

1. AT INVITATION SOVIET FTO METALLURGIMPORT, HERMAN CORPORATION PRESIDENT ROBERT G. KAVENY, JR., VISITED MOSCOW OCT 25-31, FOR DISCUSSIONS ON POSSIBLE SOVIET PURCHASE OF VERY LARGE JOLT-PRESS MOULDING SYSTEM. METALLURGIMPORT'S PRELIMINARY TECHNICAL SPECIFICATIONS CALL FOR EQUIPMENT TWICE AS LARGE AS FOUNDRY EQUIPMENT HERMAN CURRENTLY PRODUCING FOR CHEBOKSARY TRACTOR PLANT, WITH SINGLE LINE RUNNING AS LONG AS 350 FEET. ACCORDING TO KAVENY, SOVIET PLAN TO PRODUCE ONLY FOUR MOLDS PER HOUR ON LINE COSTING ABOUT DOLS 50 MILLION IS ECONOMICALLY UNSOUND, AND HE HAS SO ADVISED METALLURGIMPORT. KAVENY ALSO DOUBTS THAT HERMAN CORP. COULD HANDLE SUCH LARGE AND HEAVY EQUIPMENT IN ITS CURRENT PLANT.

2. KAVENY HAS NO IDEA OF END-USE PROPOSED MOULDING LINE, BUT BELIEVES THAT IT IS INTENDED FOR ALREADY-EXISTING PLANT SINCE SOVIETS HAVE SPECIFIED LIMITED LIFTING CAPACITIES.

3. KAVENY BELIEVES THAT SOVIETS HAVE ALSO APPROACHED SWISS/
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GERMAN FIRM FISCHER-REINSTAHL WITH SAME PROPOSAL. (HERMAN

CORP. BEAT OUT REINSTAHL ON CHEBOKSARY CONTRACT.)

4. ALTHOUGH PRUPOSE KAVENY'S PRESENT VISIT UNRELATED TO CHEBOKSARY CONTRACT, HE USED OCCASION TO HIT SOVIETS ON FAILURE TO MAKE TEN PERCENT DOWN PAYMENT (DOLS 3.5 MILLION) WITHING REQUIRED TIME LIMIT, AND METALLURGIMPORT EXPRESSED EMBARRASSMENT TO KAVENY AND ANNOYANCE WITH FOREIGN TRADE BANK OVER 45-DAY DELAY. PAYMENT FINALLY MADE OCT 30. ALTHOUGH SOVIETS MADE AMBIGUOUS REFERENCES TO EX-IM SUSPENSION AS SOURCE OF PROBLEM, THEYFULLY ADMITTED FAILURE TO ABIDE BY CONTRACT AND DEFENSIVELY COMPLIMENTED KAVENY ON HERMAN'S STRICT ADHERENCE TO ALL DETAILS OF CONTRACT.

5. FYI. PETER OSNOS OF WASHINGTON POST INTERVIEWED KAVENY ON CHEBOKSARY DEAL AS PART OF STORY HE PLANS TO DO THIS WEEK ON SOVIET-AMERICAN COMMERCIAL RELATIONS.
STOESSEL

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